

STAND. COM. REP. NO.

2874

Honolulu, Hawaii

MAR 14 2014

RE: H.B. No. 2618  
H.D. 2  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred H.B. No. 2618, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY STORAGE,"

begs leave to report as follows:

The purpose and intent of this measure is to establish an income tax credit, available as either an investment or utilization credit, for grid-connected energy storage properties with a capacity of at least one megawatt or one megawatt-hour that are installed and placed in service in the State during taxable years beginning after December 31, 2014, and before January 1, 2026.

Your Committee received testimony in support of this measure from the Ulupono Initiative, Renewable Energy Action Coalition of Hawaii, Hawaii Solar Energy Association, Hawaii Renewable Energy Alliance, Blue Planet Foundation, Princeton Energy Group, Molokai Ranch, Hawaiian Electric Company, Semptra US Gas and Power, and two individuals. Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Public Utilities Commission; Tax Foundation of Hawaii; and Beacon Power, LLC.

Your Committee finds that energy storage is a key component of a modern, smart electrical grid and can help to maximize the use of indigenous renewable energy. Hawaii has successfully utilized a renewable energy tax credit to foster a sustainable



local renewable energy industry responsible for creating jobs, catalyzing statewide energy savings, improving our environment, and reducing greenhouse gas emissions.

Your Committee has amended this measure by:

- (1) Clarifying that the energy storage tax credit may be claimed as:
  - (A) An investment credit equal to not more than twenty percent of the basis for a grid-connected energy storage property first placed in service on or before December 31, 2020;
  - (B) An investment credit equal to not more than fifteen percent of the basis for a grid-connected energy storage property first placed in service after December 31, 2020, and on or before December 31, 2025;
  - (C) A utilization credit equal to 8 cents per kilowatt-hour of energy storage capacity for a grid-connected energy storage property first placed in service on or before December 31, 2020; or
  - (D) A utilization credit equal to 6 cents per kilowatt-hour of energy storage capacity for a grid-connected energy storage property first placed in service after December 31, 2020, and on or before December 31, 2025;
- (2) Deleting language that would have required the Department of Business, Economic Development, and Tourism to issue a certificate that identified the taxpayer type, property type, tax credit type, and refundability type to the taxpayer for each grid-connected energy storage property that qualifies for the energy storage tax credit;
- (3) Clarifying that the Department of Taxation shall submit a report to the legislature annually no later than twenty days prior to the convening of each regular session on the number of grid-connected energy storage properties that have qualified for a tax credit during the calendar year and the total cost of the tax credit

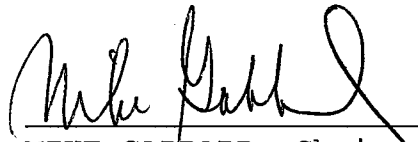


to the State during the taxable year by tax credit type and refundability or nonrefundability for the most recent taxable year for which the Department has data;

- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2618, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2618, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Energy and  
Environment,

  
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MIKE GABBARD, Chair



The Senate  
Twenty-Seventh Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Energy and Environment**  
**ENE**

Bill / Resolution No.:* <b>HB 2618 HD2</b>	Committee Referral: <b>ENE, WAM</b>	Date: <b>3/11/14</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312         </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311         </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310         </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313         </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	<input checked="" type="checkbox"/>			
RUDERMAN, Russell E. (VC)	<input checked="" type="checkbox"/>			
CHUN OAKLAND, Suzanne				<input checked="" type="checkbox"/>
IHARA, Jr., Les				
SLOM, Sam	<input checked="" type="checkbox"/>			
TOTAL	3			2
Recommendation: <div style="display: flex; justify-content: space-around; align-items: center;"> <input checked="" type="checkbox"/> Adopted           <input type="checkbox"/> Not Adopted         </div>				
Chair's or Designee's Signature:				
<div style="display: flex; justify-content: space-between; font-size: 0.8em;"> <div style="text-align: center;"> <b>Distribution:</b>            Original            File with Committee Report         </div> <div style="text-align: center;">           Yellow            Clerk's Office         </div> <div style="text-align: center;">           Pink            Drafting Agency         </div> <div style="text-align: center;">           Goldenrod            Committee File Copy         </div> </div>				

\*Only one measure per Record of Votes